

The 39th Business Term

FANUC REPORT

(from April 1, 2007 to March 31, 2008)



To Our Shareholders

I am pleased to present FANUC REPORT for the fiscal year ending March 31, 2008 and would like to take this opportunity to thank you for your continued support.

During the fiscal year ended March 31, 2008, the Japanese economy continued to grow strongly, driven by continuous improvement in corporate earnings, and an increase in capital investment. The Japanese machine tool industry continued to receive a record amount of orders in 2007 (calendar year) following the previous year.

Overseas, the economies of China, South Korea and Taiwan continued to expand, while the European economy also made a steady progress.

Under these favorable conditions, the customers of FANUC Group were very active in making capital investments, which helped our Group continue to post record levels of orders, production and sales.

The FANUC R&D groups committed itself to developing globally competitive products, adhering to FANUC's basic policy of achieving "high reliability," while promoting "intelligence," "ultra precision" and "high functionality" of all FANUC products. The FANUC production group is well prepared for the production expansion by focusing on "automation" and "robotization" of its machining and assembly processes, as well as vigorous introduction of the long-hour, un-manned machining system "Robot Cell." Also, FANUC's purchasing, R&D and production groups worked closely together to reduce costs, including the products' design changes while prices of materials and purchases were rising.

As a result, during the fiscal year ended March 31, 2008, FANUC posted consolidated net sales totaling ¥468,399 million, up 11.6%, consolidated ordinary income totaling ¥209,974 million, up 17.0%, and consolidated net income totaling ¥127,030 million, up 19.0% compared with the previous fiscal year, all posting record highs.

On a non-consolidated basis, FANUC posted net sales total ¥348,058 million, a 11.8% increase compared with the previous fiscal year. Ordinary income increased 14.2% to ¥151,967 million, and net income rose 17.2% to ¥96,147 million,



compared with the previous fiscal year.

As for year-end dividends for the current fiscal year, we will pay, based on basic policies concerning the distribution of profits, ¥90.14 per share, an increase of ¥12.64 over the previous year-end dividends. This will bring the total amount of annual dividends paid to ¥183.35 per share, including ¥93.21 paid in December of last year as an interim dividend, representing an overall increase of ¥33.35 over the previous fiscal year, with a payout ratio of 30% on a consolidated basis.

During the fiscal year ending March 31, 2009, the global economy is expected to level off, due to rising costs of procurement materials such as copper and iron, drastic fluctuations of foreign exchange and an economic downturn in the United States, which originated from the subprime loan issues. Under these circumstances, our market will be forced to face a difficult challenge, as global competition will further intensify.

Faced with such conditions, the FANUC Group will continue to focus on enhancing its product competitiveness by adhering to our basic policy of “high reliability”, while also vigorously pursuing “intelligence”, “high functionality” and “low prices” of all our products supported by an all-out effort of the R&D Group.

In production activities, we will make vigorous capital investments to further decrease production cost and, at the same time, to increase production of each of our product lines, by further promoting “robotization” with the introduction of more intelligent robots in our factories, adding more long-hour, unmanned machining system Robot Cells in the factory lines, and constructing a new CNC factory in the vicinity of the head office and a machining factory in the Tsukuba area.

In sales and service activities, we will reinforce the structure of Fanuc GE CNC Europe S.A. to expand CNC market share in Europe, further strengthen our sales and service structure in the markets of China and India, where economy continues to grow at high rates, and increase market share in other existing markets by introducing our new products.

FANUC Group will be fully prepared to develop in the future based on these initiatives.

Thank you for your continued support and assistance of FANUC.

July 2008



Dr. Eng. Yoshiharu Inaba
President and CEO

FA Group (Consolidated)

In Japan, the machine tool industry, a primary market for FANUC's CNC remained relatively strong, driven mainly by vigorous demands in the general machining industries from both domestic and overseas markets, including construction machinery and aircrafts. Although the domestic market saw a sluggish growth, exports to abroad, especially to China and Europe grew favorably, keeping the industry as a whole at high levels.

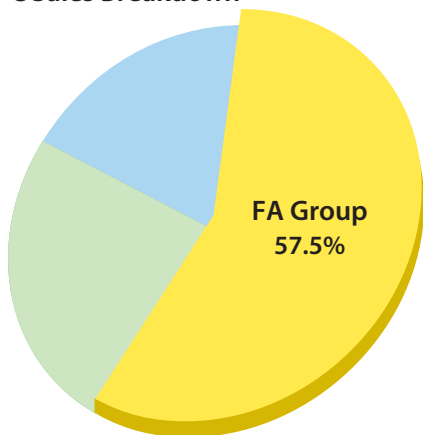
Overseas, the machine tool industries' sales built on solid growth in the energy, aircraft, medical equipment and construction machinery industries. By region, sales grew strongly especially in the Asian markets of China, South Korea and Taiwan, as well as Europe and the Americas.

Based on above, CNC sales of FANUC Group remained strong at high levels during the fiscal year ended March 31, 2008.

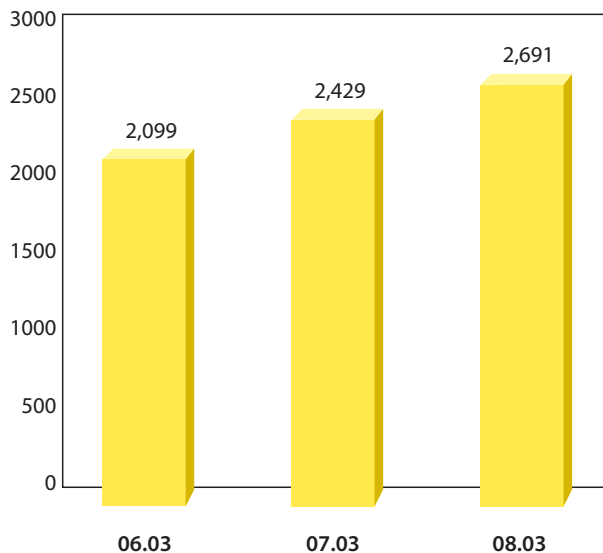
FANUC laser sales were also strong in Japan, while overseas sales continued to make a solid performance.

As a result, the FA Group posted consolidated sales of ¥269,131 million, a 10.8% increase compared with the previous fiscal year. FA Group sales accounted for 57.5% of consolidated net sales.

● Sales Breakdown



● Net sales (100 million yen)

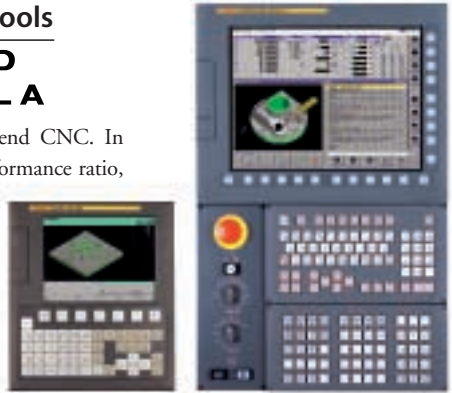


Highly Reliable CNCs for All Types of Machine Tools

FANUC Series 0i/0i Mate-MODEL D **FANUC Series 30i/31i/32i-MODEL A**

FANUC Series 0i/0i Mate-MODEL D is a highly reliable low-end CNC. In combination with β iS series servo motor, it has excellent cost-to-performance ratio, and is best suited to simple-configured machine tools.

FANUC Series 30i/31i/32i -MODEL A is a CNC for the state-of-the-art machine tools. It realizes high-speed, high-precision and high-quality machining with enhanced features, including a function to achieve high-speed and smooth simultaneous 5-axis machining, as well as a function to enable compound machining where both milling and turning can be performed by a machine.



Best Selling Servo Motor Series With Its Total Shipment Exceeding 3 Million Units

FANUC AC SERVO MOTOR α i series / β i series

FANUC AC SERVO MOTOR α i series is a nano-level controlled high-speed, high-precision servo motor widely used for feed axes of all types of machine tools.



FANUC AC SERVO MOTOR β i series is a high cost performance servo motor used mainly for feed axes of low-priced machine tools, and for industrial machines.

These servo motors are driven by servo amplifiers equipped with power supply regeneration system and highly responsive HRV control, which are effective for energy saving.

Since their first delivery in 2000, both series have exceeded 3 million units in total shipment, thanks to the MTBs' and industrial machine makers' confidence in FANUC.

A 4 kW CO₂ Laser With Improved Sheet Metal Cutting Performance

FANUC LASER C4000i-MODEL B

4 kW CO₂ laser oscillator C4000i-MODEL B is the FANUC's main laser model that comes with significantly enhanced sheet metal cutting performance.

With an improved beam focusing performance, sheet metal cutting speed has increased, while cutting surface quality was improved by a better mode stability. Also, when using the laser with a machine tool with FANUC's CNC system, synchronous precision of the laser output and servo motor improves, realizing higher speed and higher precision laser machining.

In addition to these improvements, cutting stability has also been greatly improved to contribute to enhancing productivity of long-hours of unmanned operation.

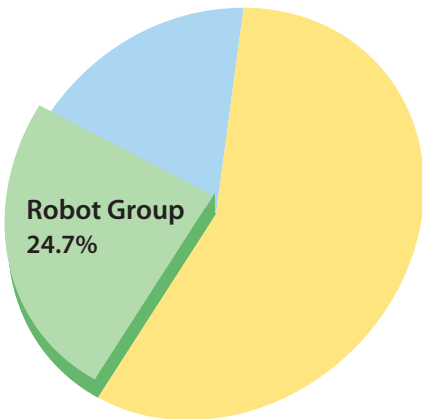


Robot Group (Consolidated)

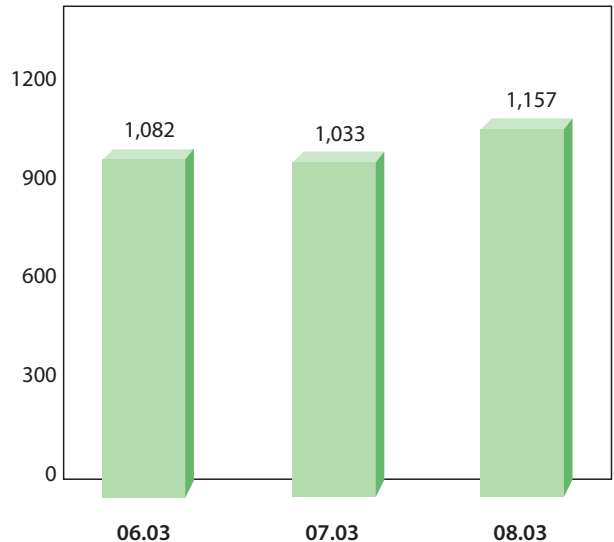
FANUC robot sales to automotive related industries made a considerable recovery, especially in the Americas. Sales to automotive related industries in South Korea and China also remained strong. As for the general industries, sales grew considerably in Europe, while sales in the Americas, Japan and China continued to be robust.

The Robot Group posted consolidated sales of ¥115,706 million, a 12.0% increase compared with the previous fiscal year. Robot Group sales accounted for 24.7% of consolidated net sales.

● Sales Breakdown



● Net sales (100 million yen)



Arc Welding Robot Package with Lincoln's Welding Power Supply

FANUC ROBOWELD *iC* series

ROBOWELD *iC* series is an arc welding robot package, a combination of FANUC ARC Mate 100*iC*/120*iC* robot, which features integrated torch cabling and the best motion performance in its class, with Lincoln Electric Company's arc welding power supply specially created for FANUC robots. Lincoln is well known in the global arc welding market for its high quality welding equipment and supplies.

FANUC provides 3 types of power supplies for arc welding: High-performance type which can be used in wide ranging welding of various materials from steel to aluminum, general purpose type for CO₂/MAG welding, and high quality CO₂ welding type. Well controlled welding by the ROBOWELD enhances welding quality and productivity of the arc welding production sites.



Next Generation Force Sensor

FANUC Force Sensor FS-10*iA*

FS-10*iA* is a high-sensitive force sensor that can detect 40g at minimum and is mountable on FANUC mini robot LR Mate 200*iC*. In addition to the conventional 30kg and 60kg rated types, FANUC developed a 10kg rated type of next generation force sensor with greatly increased durability and detection sensitivity.

The force sensor, which has been optimized for intelligent robots, detects a force accurately, controls with ample intelligent features, and realizes the skilled workers' sense of force in delicate touch. Precision fitting, a popular intelligent feature, has been improved for higher sensitivity and stability, expanding the force sensor's application field to the plastic parts assembling process, which has earlier been regarded as very hard to handle. to contribute to the robotization of the production sites.



Robomachine Group (Consolidated)

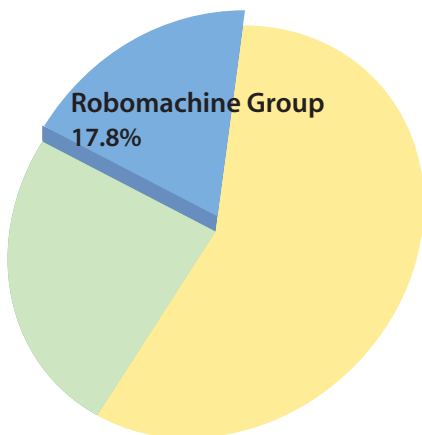
Sales of the ROBODRILL CNC drills remained robust, due to high levels of demand from personal computers, portable music players and automotive parts industries.

Demand for the ROBOSHOT AI electric injection molding machines declined both in Japan and overseas; however, in the latter half of the fiscal year, ROBOSHOT's demand from Asia and Japan began to recover.

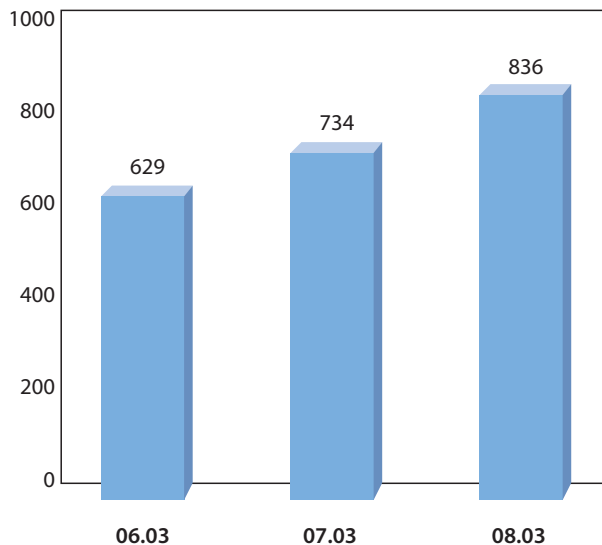
Sales of the ROBOCUT wire-cut electric discharge machines remained steady, due to increased sales in Europe and the Americas.

As a result, the Robomachine Group posted consolidated sales of ¥83,562 million, a 13.8% increase compared with the previous fiscal year. Robomachine Group sales accounted for 17.8% of consolidated net sales.

●Sales Breakdown



●Net sales (100 million yen)



Rotary Table for CNC Drill for High-Speed, High-Precision, High-Efficiency Machining

FANUC ROBODRILL DDR260iB



FANUC developed FANUC ROBODRILL DDR260iB, a one-axis rotary table dedicated to ROBODRILL which utilizes a synchronous built-in servo motor. It comes with a 30% reduction in size and weight compared with the conventional model. At the same time, the positioning speed and precision have been increased by 30% and 50%, respectively.

These enhancements have enabled high-speed and high-precision machining for wider application fields, including multi-surface machining of automotive parts and simultaneous 4-axis machining of 3D profiles.

For High-Quality, High-Productivity Molding

FANUC ROBOSHOT S-2000i100BH

The ultra high-speed injection molding machine S-2000i100BH with the maximum injection speed at 1000mm/s has been added to FANUC ROBOSHOT S-2000iB series, a popular machine for its high reliability and high performance. The new model's injection unit is equipped with newly developed high power servo motor and servo amplifier to produce excellent injection acceleration/deceleration performance.

It is best suited to ultra thin-wall molding of light-guide panels for the latest mobile phones, which require higher injection molding speed and higher injection pressure.



Ultra High-Speed, Ultra-Precision Nano Machine

FANUC ROBONANO α -0iB

FANUC ROBONANO α -0iB is an ultra high-speed, ultra-precision nano machine that utilizes air bearing mechanism to increase nano-level machining precision of free-curved surfaces. The no-reaction Shuttle B for ultra high-speed machining has been enhanced to drive in both vertical and horizontal directions at two times higher speed compared with the conventional model. ROBONANO with the new Shuttle B can machine diffraction gratings at ultra high-speed on the surface of the light-guide panel or roll die using a tool at different angles. Also, the On-Machine Measurement function, which measures free-curved surface in one setting at nano level without removing the workpiece from the machine, helps compensate the workpiece's profile errors to greatly increase the profile precision of not only axisymmetric but also nonaxisymmetric geometries.



●FANUC Open House Exhibition

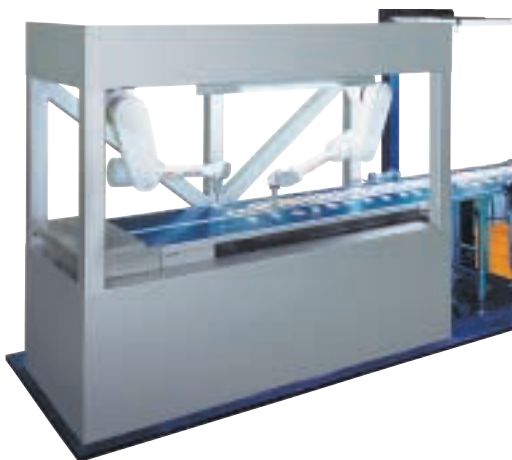
On April 9, 2008, FANUC held FANUC Open House Exhibition at its Nature Hall, to present and demonstrate new FA, robot and robomachine products. In fine weather after long rain, about 5,000 visitors including 467 from overseas took a close look at the new products and functions, and marveled at Mt. Fuji glittering in snow.



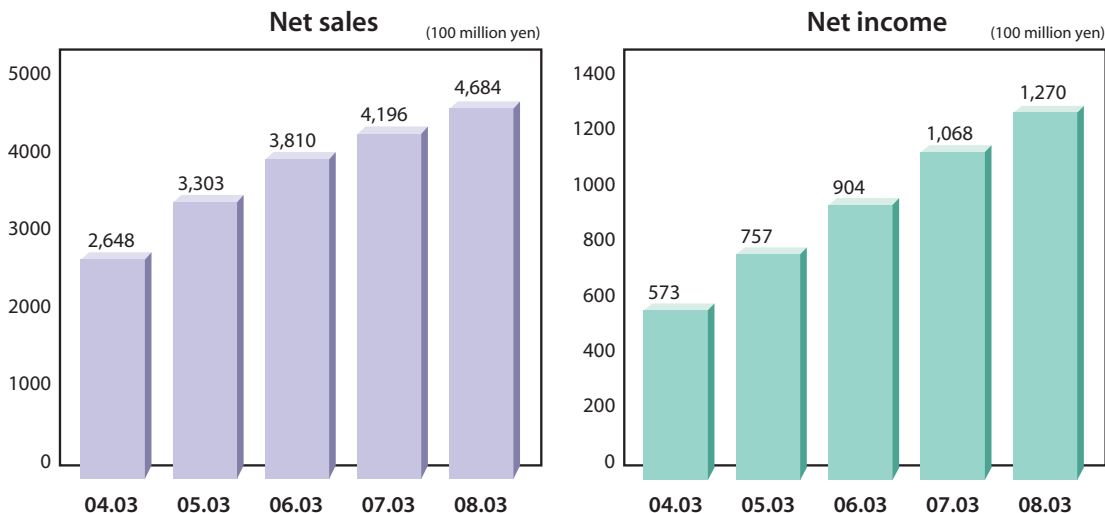
●FANUC Robot M-430iA — high-Speed Handling by Visual Tracking awarded the Grand Prize, METI Minister Prize, of The Robot Award 2007

The FANUC M-430iA robot's High-Speed Handling by Visual Tracking won The Robot Award 2007, Grand Prize, the METI Minister Prize, sponsored by Japan's Ministry of Economy, Trade and Industry (METI). Awards were given to robots that performed well in 2007 and had great potential to create future market.

The FANUC M-430iA robot was selected from the 13 Excellent Prize winners to receive the Minister Prize, due to its high potential for market expansion, and as proof of the successful introduction of the robot technology in a new field.



Financial Highlights (Consolidated)



	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Net Sales			
FA Group	2,099	2,429	2,691
Robot Group	1,082	1,033	1,157
Robomachine Group	629	734	836
Total	3,810	4,196	4,684
(Overseas sales)	(2,418)	(2,717)	(3,189)
Ordinary income	1,508	1,794	2,100
Net income	904	1,068	1,270
Net income per share (yen)	¥420.01	¥499.83	¥611.14
Total assets	9,034	*4 9,517	10,468
Shareholders' equity	7,744	*4 8,206	9,114

100 million yen

Note 1 Main products in FA Group comprise CNC series, servo motors, and lasers.

Note 2 Main products in Robot Group comprise robots.

Note 3 Main products in Robomachine Group comprise CNC drills, electric injection molding machines, wire-cut electric discharge machines and ultra precision nano machines.

Note 4 The Company acquired 6.14 million shares of its own stock (64,554 million yen) in the Year ended March 31, 2007.

Consolidated Balance Sheet

(As of March 31, 2008)

(Assets)	1,046,837	(Liabilities)	135,442
Current assets	750,328	Current liabilities	104,151
Cash and cash equivalents	566,237	Notes and accounts payable - trade	24,812
Notes and accounts receivable - trade	93,844	Accrued income taxes	41,052
Inventories	66,877	Provisions for after-sales services	6,462
Deferred tax assets	19,404	Other	31,825
Other	6,660	Long-term liabilities	31,291
Allowance for doubtful accounts	(2,694)	Reserve for retirement benefits of employees	20,194
Fixed assets	296,509	Other	11,097
Tangible fixed assets	212,055	(Net assets)	911,395
Buildings and structures	66,895	Shareholders' equity	866,354
Machinery and equipment	20,830	Common stock	69,014
Lands	113,143	Capital surplus	96,256
Other	11,187	Retained earnings	921,775
Intangible fixed assets	1,394	Treasury stock	(220,691)
Investments and other assets	83,060	Valuation and translation adjustments	11,834
Investments and other assets	81,083	Unrealized gain on other marketable securities	1,677
Other	1,995	Translation adjustment	10,157
Allowance for doubtful accounts	(18)	Minority interests	33,207
Total	1,046,837	Total	1,046,837

(Millions of yen)

Consolidated Statement of Income

(April 1, 2007 through March 31, 2008)

Net sales		468,399
Cost of sales		217,900
Gross profit		250,499
Selling, general and administrative expenses		60,935
Operating income		189,564
Non-operating income		
Interest and dividends income	8,902	
Equity in earnings	13,258	
Other	2,172	24,332
Non-operating expenses		
Exchange loss	2,524	
Loss on revaluation of investment in securities	523	
Other	875	3,922
Ordinary income		209,974
Extraordinary income		
Transfer back of allowance for officers' retirement benefits	1,901	1,901
Income before income taxes and minority interests		211,875
Income taxes – current	76,550	
Income taxes – deferred	2,461	79,011
Minority interest in income		5,834
Net income		127,030

(Millions of yen)

Consolidated Statement of Changes in Shareholders' Equity, Etc.

(April 1, 2007 through March 31, 2008)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	69,014	96,229	830,232	(219,786)	775,689
Changes during this term					
Dividends of retained earnings			(35,487)		(35,487)
Net income			127,030		127,030
Purchase of treasury stock				(961)	(961)
Disposal of treasury stock		27		56	83
Changes during this term not related to shareholders' equity (net)					
Total changes during this term	-	27	91,543	(905)	90,665
Balance at March 31, 2008	69,014	96,256	921,775	(220,691)	866,354

(Millions of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain on other marketable securities	Translation adjustment	Total valuation and translation adjustments			
Balance at March 31, 2007	3,525	14,355	17,880		26,987	820,556
Changes during this term						
Dividends of retained earnings						(35,487)
Net income						127,030
Purchase of treasury stock						(961)
Disposal of treasury stock						83
Changes during this term not related to shareholders' equity (net)	(1,848)	(4,198)	(6,046)	6,220		174
Total changes during this term	(1,848)	(4,198)	(6,046)	6,220		90,839
Balance at March 31, 2008	1,677	10,157	11,834	33,207		911,395

(Millions of yen)

Non-Consolidated Balance Sheet

(As of March 31, 2008)

(Assets)	807,152	(Liabilities)	81,527
Current assets	516,939	Current liabilities	64,297
Cash and cash equivalents	408,431	Accounts payable - trade	14,906
Notes receivable - trade	21,343	Accounts payable - other	5,455
Accounts receivable - trade	36,396	Accrued expenses	6,789
Finished goods	10,190	Accrued income taxes	32,963
Raw materials	5,873	Advances received	341
Work in process	23,243	Deposits	467
Supplies	109	Provisions for after-sales services	3,346
Deferred tax assets	11,043	Other	30
Other	1,781	Long-term liabilities	17,230
Allowance for doubtful accounts	(1,470)	Reserve for retirement benefits of employees	17,230
Fixed assets	290,213		
Tangible fixed assets	189,290	(Net assets)	725,625
Buildings	53,951	Shareholders' equity	724,110
Structures	2,891	Common stock	69,014
Machinery and equipment	18,269	Capital surplus	96,107
Vehicles and transportation equipment	150	Capital reserve	96,057
Tools, furniture and fixtures	5,598	Other capital surplus	50
Lands	105,663	Retained earnings	779,680
Construction in progress	2,768	Retained earnings reserve	8,252
Intangible fixed assets	806	Other retained earnings	771,428
Investments and other assets	100,117	Reserve for research and development	311,800
Investment securities	9,261	Reserve for special depreciation	9
Stocks of subsidiaries and affiliates	82,102	Reserve for advanced depreciation	70
Deferred tax assets	7,799	General reserve	303,580
Other	973	Retained earnings carried forward	155,969
Allowance for doubtful accounts	(18)	Treasury stock	(220,691)
Total	807,152	Valuation and translation adjustments	1,515
		Unrealized gain on other marketable securities	1,515
		Total	807,152

(Millions of yen)

Non-Consolidated Statement of Income

(April 1, 2007 through March 31, 2008)

Net sales		348,058
Cost of sales		178,966
Gross profit		169,092
Selling, general and administrative expenses		29,122
Operating income		139,970
Non-operating income		
Interest and dividends income	13,337	
Other	2,661	15,998
Non-operating expenses		
Other	4,001	4,001
Ordinary income		151,967
Extraordinary income		
Transfer back of allowance for officers' retirement benefits	1,901	1,901
Income before income taxes		153,868
Income taxes – current	58,881	
Income taxes – deferred	(1,160)	57,721
Net income		96,147

(Millions of yen)

Non-Consolidated Statement of Changes in Shareholders' Equity, Etc.

(April 1, 2007 through March 31, 2008)

	Shareholders' equity										
	Common stock	Capital surplus			Retained earnings reserve	Retained earnings					Total retained earnings
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Retained earnings carried forward		
					Reserve for research and development	Reserve for special depreciation	Reserve for advanced depreciation	General reserve			
Balance at March 31, 2007	69,014	96,057	23	96,081	8,252	311,800	24	74	303,580	95,291	719,020
Changes during this term											
Reversal of reserve for special depreciation							(15)			15	-
Reversal of reserve for advanced depreciation								(4)		4	-
Dividends of retained earnings										(35,487)	(35,487)
Net income										96,147	96,147
Purchase of treasury stock											
Disposal of treasury stock				27	27						
Changes during this term not related to shareholders' equity (net)											
Total changes during this term	-	-	27	27	-	-	(15)	(4)	-	60,679	60,660
Balance at March 31, 2008	69,014	96,057	50	96,107	8,252	311,800	9	70	303,580	155,969	779,680

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other marketable securities	Total valuation and translation adjustments	
Balance at March 31, 2007	(219,786)	664,329	3,525	3,525	667,854
Changes during this term					
Reversal of reserve for special depreciation		-			-
Reversal of reserve for advanced depreciation		-			-
Dividends of retained earnings		(35,487)			(35,487)
Net income		96,147			96,147
Purchase of treasury stock	(961)	(961)			(961)
Disposal of treasury stock	56	83			83
Changes during this term not related to shareholders' equity (net)			(2,010)	(2,010)	(2,010)
Total changes during this term	(905)	59,782	(2,010)	(2,010)	57,772
Balance at March 31, 2008	(220,691)	724,110	1,515	1,515	725,625

(Millions of yen)

Shareholders' Data (as of March 31, 2008)

Total number of shares authorized to be issued ————— 400,000,000

Total number of shares issued and outstanding ————— 239,508,317

Number of shareholders ————— 80,861

Top 10 of shareholders

Name	Number of shares (In thousands)	Percentage of equity participation (%)
State Street Bank and Trust Company	15,875	6.6
Japan Trustee Services Bank, Ltd. (Trust Account)	13,525	5.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,783	5.3
FUJITSU LIMITED	11,976	5.0
FUJI ELECTRIC HOLDINGS CO., LTD	10,618	4.4
JP Morgan Chase Bank 380055	7,916	3.3
Deutsche Securities Inc.	5,617	2.4
State Street Bank and Trust Company 505103	3,847	1.6
Nomura Securities Co.,Ltd.	3,451	1.4
Mellon Bank N. A. as Agent for its client Mellon Omnibus US Pension	2,845	1.2

Note: 31,672 thousand shares of treasury stock registered in the name of the Company are excluded from the above table.

- **Company Name** ————— **FANUC LTD**
- **Incorporated** ————— May 12, 1972
- **Headquarter** ————— 3580, Shibokusa Aza-Komanba, Oshino-mura, Minamitsuru-gun, Yamanashi Prefecture 401-0597, Japan
Tel: +81-555-84-5555 FAX: +81-555-84-5512
Website: <http://www.fanuc.co.jp/>
- **Employees** ————— 4,894 (Consolidated) 2,181 (Non-consolidated)
(as of March 31, 2008)

Management

Honorary Chairman

Dr. Eng. Seiuemon Inaba

President & CEO

Dr. Eng. Yoshiharu Inaba

Members of the Board —————

Mitsuto Miyata

Hiroyuki Uchida

Katsuo Kohari

Hideo Kojima

Yoshihiro Gonda

Kenji Yamaguchi

Ryou Nihei

Mitsuo Kurakake

Hiroshi Araki

Shinichi Tanzawa

Hidehiro Miyajima

Hiroshi Noda

Richard E. Schneider

Advisors —————

Ryoichiro Nozawa

Shimpei Kato

Standing Auditors —————

Naoki Shimizu

Nobuo Otsuka

Auditors —————

Naoyuki Akikusa

Hajime Harada

Takeo Nakagawa

Shareholder Information

- **Shareholders' register keeper** Tokyo Securities Transfer Agent Co., Ltd.
(Nihon Building 4F)2-6-2 Otemachi, Chiyoda-ku, Tokyo
Phone: (0120)49-7009(Toll free number)
- **Closing of accounts** March 31 each year
- **Date of record** The record date to determine the holders of voting rights at the Ordinary General Meetings of Shareholders of the Company shall be March 31 of each year.
- **Register closing date for dividends payment** March 31 each year and
September 30 if interim dividends shall be paid
- **Stock transfer fee** No charge
- **Fee for issuing new share certificate** ¥100 per share certificate
- **Newspaper Notice** The Nihon Keizai Shimbun
- **Stock listing** Tokyo Stock Exchange, First Section
- **Number of shares per unit** 100 shares